

County of Kent,  
Michigan



Year Ended  
December 31,  
2014

Single Audit Act  
Compliance

# COUNTY OF KENT, MICHIGAN

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INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

June 8, 2015

Honorable Members of the  
Board of Commissioners  
of the County of Kent  
Grand Rapids, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Kent, Michigan* (the "County"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 8, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



# COUNTY OF KENT, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
** Child Nutrition Cluster:				
Breakfast Program	10.553	MDE	41-000-8003A	\$ 36,886
Lunch Program	10.555	MDE	41-000-8003A	68,413
Commodities (non-cash assistance)	10.555	MDE	41-000-8003	5,324
				<u>110,623</u>
** Supplemental Nutrition Program for Women, Infants, and Children (WIC):				
Resident Services Administration	10.557	MDCH	IW100342	3,423,994
Breastfeeding Administration	10.557	MDCH	IW100342	24,777
Breastfeeding Peer Counseling	10.557	MDCH	W500342	178,178
				<u>3,626,949</u>
Farm and Ranch Lands Protection Program	10.913	Direct	-n/a-	<u>78,000</u>
<b>Total U.S. Department of Agriculture</b>				<u>3,815,572</u>
<b>U.S. Department of Housing and Urban Development</b>				
* Community Development Block Grant:				
2007-2008 Award	14.218	Direct	B-07-UC-26-0004	1
2008-2009 Award	14.218	Direct	B-08-UC-26-0004	21,890
2009-2010 Award	14.218	Direct	B-09-UC-26-0004	46,778
2010-2011 Award	14.218	Direct	B-10-UC-26-0004	39,697
2011-2012 Award	14.218	Direct	B-11-UC-26-0004	96,482
2012-2013 Award	14.218	Direct	B-12-UC-26-0004	294,647
2013-2014 Award	14.218	Direct	B-13-UC-26-0004	973,391
Neighborhood Stabilization Program	14.218	Direct	B-08-UN-26-0002	169,629
				<u>1,642,515</u>
* Continuum of Care:				
Sponsor-based Rental Assistance	14.267	Direct	MI0174L5F061205	349,793
Tenant-based Rental Assistance	14.267	Direct	MI0173L5F061205	758,132
Sponsor-based Rental Assistance	14.267	Direct	MI0175L5F061205	39,236
				<u>1,147,161</u>
* Home Investment Partnerships Program (HOME):				
2010-2011 Award	14.239	Direct	M-10-UC-26-0221	160,140
2011-2012 Award	14.239	Direct	M-11-UC-26-0221	200,459
2012-2013 Award	14.239	Direct	M-12-UC-26-0221	557,778
2013-2014 Award	14.239	Direct	M-13-UC-26-0221	6,327
				<u>924,704</u>
Section 8 Housing Choice Voucher Program:				
Housing Choice Vouchers 2012-2013 Award	14.871	Direct	MI198VO	385,701
Housing Choice Vouchers 2013-2014 Award	14.871	Direct	MI198VO	2,186,017
Family Services Coordinator	14.871	Direct	MI198FS	90,189
Veterans 2012-2013 Award	14.871	Direct	MI198VO	56,000
Veterans 2013-2014 Award	14.871	Direct	MI198VO	539,641
				<u>3,257,548</u>

continued...

# COUNTY OF KENT, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Housing and Urban Development (Concluded)				
** Lead-based Paint Hazard Control Grant	14.900	CGR	MILHB0437-12	\$ 79,570
Total U.S. Department of Housing and Urban Development				<u>7,051,498</u>
U.S. Department of Justice				
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	Direct	2010-DN-BX-K041	<u>81,598</u>
** Justice Assistance Grant:				
Metropolitan Enforcement Team (MET)	16.738	CGR	2012-DJ-BX-0109	18,433
Edward Byrne Memorial Grant - Neighborhood Based Crime Prevention:				
2012 Award	16.738	CGR	2012-DJ-BX-1031	75,919
2013 Award	16.738	CGR	2013-DJ-BX-0621	67,829
				<u>162,181</u>
Equitable Sharing Program	16.922	Direct	MI4114100	<u>187,465</u>
Total U.S. Department of Justice				<u>431,244</u>
U.S. Department of Transportation				
Airport Improvement Program <sup>(1)</sup> :				
Snow Removal Equipment	20.106	MDOT	3-26-0039-4711	536,750
Airfield Lighting Project	20.106	MDOT	3-26-0039-4812	1,153
Concourse B Expansion	20.106	MDOT	3-26-0039-4913	2,494,315
Storm Water Management Program	20.106	MDOT	3-26-0039-5014	9,551,515
Containment Facility	20.106	MDOT	3-26-0039-5114	1,568,118
				<u>14,151,851</u>
** Strategic Traffic Enforcement	20.600	WYO	PT-14-06	44,025
** National Motor Carrier Safety	20.218	WYO	TS-14-05	26,488
** Hazardous Materials Emergency Planning	20.703	MSP	HM-HMP-0347-13-01-00	<u>21,759</u>
Total U.S. Department of Transportation				<u>14,244,123</u>
U.S. Department of Treasury				
Treasury Forfeiture Fund	21.000	Direct	MI4114100	<u>22,083</u>
U.S. Environmental Protection Agency				
** Non-Community Water Supply	66.468	MDEQ	FS97548711	755
** Non-Community Water Supply	66.468	MDEQ	FS97548712	300
				<u>1,055</u>

continued...

# COUNTY OF KENT, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
** Public Health Emergency Preparedness:				
Bioterrorism Supplemental (10/2013 to 6/2014)	93.069	MDCH	U9OTP000528	\$ 143,630
Bioterrorism Supplemental (7/2014 to 9/2014)	93.069	MDCH	U9OTP000528	52,334
Bioterrorism Regional EPI Support	93.069	MDCH	U9OTP000528	7,500
Bioterrorism Lab Services	93.069	MDCH	U9OTP000528	82,605
				<u>286,069</u>
** Sexual Violence Prevention:				
Rape Prevention Education	93.136	MDCH	1VFCE002229	18,332
Rape Prevention Education	93.136	MDCH	1UF2CE002424-01	36,668
				<u>55,000</u>
** Immunization:				
Immunization Action Plan (IAP)	93.268	MDCH	H23 CCH522556	299,299
Vaccines (non-cash assistance)	93.268	MDCH	-n/a-	940,427
				<u>1,239,726</u>
** Affordable Care Act Maternal, Infant, and Early				
MIECHV Expansion Grant Seed Funding	93.505	MDCH	D89MC26358	8,000
Childhood Home Visitation Program	93.505	MDCH	D89MC23151	242,500
Childhood Home Visitation Program	93.505	MDCH	1X02MC23110-01-00	750
				<u>251,250</u>
** Affordable Care Act Building Epidemiology, Laboratory				
and Health Information Systems	93.521	MDCH	1U50CI000895	6,000
** Community Transformation Grant	93.531	SPEC	5U58DP003548-03	<u>10,808</u>
** Child Support Enforcement:				
Title IV-D - Incentive Payments	93.563	MDHS	CS/FOC-13-41001	977,263
Title IV-D - Friend of the Court	93.563	MDHS	CS/FOC-13-41001	4,179,960
Title IV-D - Prosecuting Attorney	93.563	MDHS	CSPA-13-41002	1,159,146
				<u>6,316,369</u>
** Referral for Employment, Asset Development,				
Cooperation, and Hope (REACH)	93.564	SCAO	SCAO-2014-005	<u>137,510</u>
** Refugee Health Assessments:				
Tuberculosis Control	93.566	MDHS	RA-12-41001	52,963
Immunizations	93.566	MDHS	RA-12-41001	455,127
CN Refugee	93.566	MDHS	RA-12-41001	404,841
				<u>912,931</u>
** Access and Visitation Grant	93.597	SCAO	-n/a-	<u>11,350</u>

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# COUNTY OF KENT, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (Concluded)				
** Breast and Cervical Cancer Control Program:				
BCCCP Coordination	93.752	MDCH	1U58DP003921	\$ 37,467
BCCCP Family Planning	93.752	MDCH	1U58DP003921	2,310
				<u>39,777</u>
** Medical Assistance Program:				
Medicaid Outreach and Advocacy	93.778	MDCH	05 U05M15ADM	291,815
Medicaid Outreach - TB	93.778	MDCH	05 U05M15ADM	3,097
Medicaid Outreach - WIC	93.778	MDCH	05 U05M15ADM	354,193
Medicaid Outreach - Immunizations	93.778	MDCH	05 U05M15ADM	95,778
CSHCS Medicaid Outreach	93.778	MDCH	05 U05M15ADM	40,962
CSHCS Medicaid Outreach and Advocacy	93.778	MDCH	05 U05M15ADM	142,500
Nurse Family Partnership Services	93.778	MDCH	05 U05M15ADM	117,200
Nurse Family Partnership Medicaid Outreach	93.778	MDCH	05 U05M15ADM	81,201
				<u>1,126,746</u>
** Breast and Cervical Cancer Control Program (BCCCP	93.919	MDCH	1U58DP003921	181,913
** Family Planning / BCCCP Joint Project	93.919	MDCH	1U58DP003921	5,390
				<u>187,303</u>
** Strong Beginnings Program	93.926	SPEC	H49MC03591-10-01	<u>165,629</u>
** HIV Prevention	93.940	MDCH	U62 PS003671	<u>144,281</u>
** Substance Abuse Block Grant:				
Coalition	93.959	N180	93-BI-MI-SAPT-13	1,620
Communicable Disease	93.959	N180	93-BI-MI-SAPT-13	21,188
Life Skills	93.959	N180	93-BI-MI-SAPT-13	129,382
FAS	93.959	N180	93-BI-MI-SAPT-13	8,513
Adult Heavy Drinking	93.959	N180	93-BI-MI-SAPT-13	2,641
Data Project	93.959	N180	93-BI-MI-SAPT-13	8,195
				<u>171,539</u>
** Preventive Health Services Block Grant	93.991	MDCH	B1 MI PRVS	<u>11,328</u>
** Maternal and Child Health Services Block Grant:				
Maternal Infant Health Program	93.994	MDCH	B1MIMCHS	317,221
Childhood Lead Poisoning Education and Outreach	93.994	MDCH	B1MIMCHS	40,000
Childhood Lead Poisoning Intervention	93.994	MDCH	B1MIMCHS	25,000
Childhood Lead Poisoning Prevention	93.994	MDCH	B1MIMCHS	25,000
				<u>407,221</u>
Total U.S. Department of Health and Human Services				<u>11,480,837</u>

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# COUNTY OF KENT, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Homeland Security				
** Emergency Management Performance Grant	97.042	MSP	EMW-2013-EP-00026-S01	\$ 19,045
Firefighters Assistance Grant (non-cash assistance)	97.044	CGR	EMW-2011-FR-00135	74,449
Pre-Disaster Mitigation / Shawmut Hills	97.047	MSP	PDMC-PJ-05-MI-2011-010	1,817
Homeland Security Grant Program:				
2012 Award (non-cash assistance)	97.067	WMSRDC	-n/a-	267,491
2013 Award (non-cash assistance)	97.067	WMSRDC	-n/a-	7,541
2012 Award	97.067	WMSRDC	EMW-2012-SS-00055	217,976
2013 Award	97.067	WMSRDC	EMW-2013-SS-00049	123,114
				<u>616,122</u>
Total U.S. Department of Homeland Security				<u>711,433</u>
Total Expenditures of Federal Awards				<u>\$ 37,757,845</u>

concluded

- \* Grant activity is reported in the County CAFR in a 6/30 year-end fund
- \*\* Grant activity is reported in the County CAFR in a 9/30 year-end fund
- (1) See Note 4 for revenue recognition information

See notes to schedule of expenditures of federal awards.

# COUNTY OF KENT, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Kent, Michigan (the "County") under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County's reporting entity is defined in Note 1 of the County's Comprehensive Annual Financial Report. The County's financial statements include the operations of the Kent County Community Mental Health Authority (Network180) and the Kent County Road Commission discretely-presented component units, which received federal awards that are not included in the Schedule for the year ended December 31, 2014, as these entities were separately audited.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

### 3. FISCAL REPORTING

Certain departments report on a different fiscal year than the County. Grants accounted for and reported on year-ends other than December 31, 2014 are denoted as such in the Schedule.

### 4. AIRPORT IMPROVEMENT PROGRAM

The Department of Aeronautics (operating as Gerald R. Ford International Airport) receives allocations under the Airport Improvement Program. Based on an extensive application and apportionment process, the County is awarded grants for capital improvements. Reimbursement requests are subject to review and approval by the Michigan Department of Transportation and the Federal Aviation Administration. Based on this review, actual reimbursement may vary with the amount requested. The County has submitted reimbursement requests for certain amounts included on the Schedule that have not yet been reimbursed. The amount reported for these awards is estimated based on the federal participation percentage in the award documents. Variances in the amounts requested and the amounts ultimately received will be recorded on the Schedule in the year the funds are received.

# COUNTY OF KENT, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 5. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
CGR	City of Grand Rapids, Michigan
MDCH	Michigan Department of Community Health
MDE	State of Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHS	Michigan Department of Human Services
MDOT	Michigan Department of Transportation
MSP	Michigan State Police
N180	Kent County Community Mental Health (Network180)
SCAO	Michigan State Court Administrative Office
SPEC	Spectrum Health
WMSRDC	West Michigan Shoreline Regional Development Corporation
WYO	City of Wyoming, Michigan

### 6. SUBRECIPIENTS

The County administers certain federal award programs through subrecipients. Those subrecipients are not considered part of the County's reporting entity. Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
Supplemental Nutrition Program for Women, and Children (WIC)	10.557	\$ 246,166
Community Development Block Grant	14.218	359,709
Continuum of Care	14.267	1,139,515
Medicaid Outreach	93.778	192,277
Homeland Security Grant Program	97.067	180,311
Total provided to subrecipients		<u>\$ 2,117,978</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 8, 2015

Honorable Members of the  
Board of Commissioners  
of the County of Kent  
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Kent, Michigan* (the "County"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 8, 2015. Our report includes a reference to other auditors who audited the financial statements of the Kent County Community Mental Health Authority and the Kent County Road Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**County of Kent, Michigan’s Response to Finding**

The County’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

June 8, 2015

Honorable Members of the  
Board of Commissioners  
of the County of Kent  
Grand Rapids, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the *County of Kent, Michigan* (the "County") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The County's basic financial statements include the operations of the Kent County Community Mental Health Authority (Network180) which received \$4,923,544 in federal awards, and which is not included in the schedule of expenditures of federal awards for the year ended December 31, 2014. Our audit, described below, did not include the operations of the Kent County Community Mental Health Authority because it arranged for a separate audit in accordance with A-133. The County's basic financial statements also include the operations of the Kent County Road Commission which received certain federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2014. Our audit, described below, did not include the operations of the Kent County Road Commission because it arranged for a separate financial statement audit and did not meet the criteria for a single audit in accordance with A-133, as expenditures of directly administered federal awards did not exceed \$500,000.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Independent Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002, that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

#### *Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rehmann Lobson LLC*

# COUNTY OF KENT, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?   X   yes        none reported

Noncompliance material to financial statements noted?        yes   X   no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?   X   yes        none reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?   X   yes        no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care
20.106	Airport Improvement Program
93.268	Immunization
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,132,735

Auditee qualified as low-risk auditee?   X   yes        no

# COUNTY OF KENT, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 - Internal Controls over Preparation of Schedule of Expenditures of Federal Awards (Repeated from Prior Year)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. OMB Circular A-133, §\_\_\_.300, requires that a recipient of federal awards subject to a single audit “identify, in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.” In addition, the County is required to “prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards in accordance with §\_\_\_.310.”

Condition. We noted certain errors in the initial Schedule of Expenditures of Federal Awards (SEFA) provided by management. These errors were primarily related to grants administered by the Department of Aeronautics, but also included an unrelated incorrect CFDA number, initially including an award received as a vendor, and initially presenting the local match for a certain grant as part of federal expenditures. The net adjustments totaled approximately \$1.3 million.

Cause. This condition, as it relates to awards administered by the Department of Aeronautics, appears to be a result of an initial misunderstanding of the requirements for calculating the amount of federal expenditures by award, which involves a certain degree of estimation and differs from the recordkeeping maintained by the Department on a day-to-day basis. The error in CFDA number was due to a change at the federal level that was known by the department administering the grant, but had not been communicated to the individuals preparing the SEFA.

Effect. As a result of this condition, the County's SEFA was initially misstated by amounts that were significant (but not material) to the Schedule. Appropriate adjustments were proposed by the auditors, and approved by management. However, the County was exposed to the risk that expenditures of federal awards would be misreported in accordance with OMB Circular A-133, which could impact major program determination and related testing performed by the auditors.

Recommendation. We recommend that the County carefully review all grant agreements and award letters in preparing the SEFA in order to ensure that expenditures are being reported correctly. In addition, department heads responsible for applying for and receiving grant awards should be made aware of the additional reporting requirements that apply to federal funding and instructed to provide supporting documentation to the Fiscal Services department.

View of Responsible Officials. Management has reviewed the adjustments to the SEFA proposed by the auditors, and will revise procedures accordingly for future periods.

# COUNTY OF KENT, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2014-002 - Errors in Annual Performance Reports

**Finding Type.** Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Reporting).

**Program.** Continuum of Care; U.S. Department of Housing and Urban Development; CFDA Number 14.267; Award Numbers MI0174L5F061205, MI0173L5F061205, and MI0175L5F061205.

**Criteria.** Recipients of federal awards are required to report various financial and non-financial information to the grantor or pass-through agency, as specified in the grant agreement and/or the OMB Circular A-133 Compliance Supplement. For the Continuum of Care program, financial reporting requirements consist of an Annual Performance Report submitted to the grantor agency.

**Condition.** The Annual Performance Reports submitted during the year under audit did not agree to the trial balance for the specified periods.

**Cause.** This condition appears to have been a result relying on financial data maintained outside of the general ledger which was not reconciled to the County's records prior to report submission. A single individual was responsible for compiling and submitting the information and the reports were not subjected to a review/approval process.

**Effect.** As a result of this condition, the County reported program expenditures to the grantor agency that varied from the general ledger.

**Questioned Costs.** No costs are required to be questioned as a result of this finding, inasmuch as no unallowable costs were noted and the reports do not serve as a basis for reimbursement.

**Recommendation.** All financial reports should be based on the County's trial balance. As a best practice, we recommend that grant reports be filed internally along with the related general ledger report(s) in order to demonstrate that the amounts agreed. Grant reports should be subject to review and approval by the Fiscal Services department prior to submission to ensure accuracy with the accounting records.

**View of Responsible Officials.** The County will review its existing procedures for external grant reporting and make revisions, as necessary, in order to allow for a thorough review and approval by an individual with sufficient knowledge of the reporting requirements and access to relevant general ledger reports.

## COUNTY OF KENT, MICHIGAN

### Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2014

#### 2013-FS-1 - Significant Audit Adjustment

The audit process identified a quantitatively significant adjustment to financial statements. A similar adjustment was not identified in the current year. Accordingly, corrective action is deemed sufficient.

#### 2013-FS-2 - Internal Controls over Preparation of Schedule of Expenditures of Federal Awards

The audit process identified various errors in the initial Schedule of Expenditures of Federal Awards (SEFA) provided by management. These errors were corrected before the audit was issued, but were deemed to have a quantitatively significant effect on the SEFA as a whole. We noted similar errors in the current year. Accordingly, this condition has been repeated as item 2014-001.

#### 2013-SA-1 - Required Information in Subrecipient Award Agreements - CFDA Number 93.778 - Medical Assistance Program

The subaward agreement with the subrecipient did not include the required information on the source of the funds or identification of the CFDA number. The current year subaward agreement was amended to include this information. Corrective action is deemed sufficient.

#### 2013-SA-2 - Internal Controls over Subrecipient Monitoring - CFDA Number 10.557 - Women, Infants and Children (WIC)

The County did not have sufficient documentation to evidence that on-site monitoring for its subrecipients occurred during the year. In addition, the process for assessing subrecipient risk of noncompliance was incomplete and took place well after the commencement of the award period. On-site monitoring took place in the current year and was appropriately documented. The risk assessment process was modified, but further improvements are necessary to enhance documentation.

#### 2013-SA-3 - Internal Controls over Subrecipient Monitoring - CFDA Number 97.067 - Homeland Security Grant Program

The County passed through federal grant funding in the form of cash assistance and donated equipment to several local governments. The subrecipients were not consistently informed that the amounts were federally-funded, nor was a CFDA number provided. In addition, the County did not have a process in place for obtaining subrecipient audits, reviewing the single audit report for findings related to the pass-through funding, and ensuring that amounts reported by the subrecipient were in agreement with the County's records. Corrective action is not yet complete.

#### 2013-SA-4 - Errors and Omissions in Financial Reports - CFDA Number 97.047 - Pre-disaster Mitigation / Shawmut Hills

The quarterly reports submitted under this award did not agree with the County's general ledger. This grant program was substantially completed in the previous year. The total amount reported to the pass-through grantor agency over the life of the award was reported correctly, so no further corrective action was deemed necessary.

